



Local  
Government  
**SUSTAINABLE ENERGY**  
Coalition

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**Comments of the Local Government Sustainable Energy Coalition  
Draft Green Book  
California Public Utilities Commission**

June 11, 2018

The Local Government Sustainable Energy Coalition (LGSEC) <sup>1</sup> provides these limited comments on California Public Utilities Commission (CPUC) Draft Green Book, *California Customer Choice*<sup>2</sup>. LGSEC applauds the CPUC's attention to the current transformation of the energy industry in California with a particular focus on reliability, decarbonization and affordability. LGSEC's local government members share the CPUC's commitment to these three central tenets of energy policy and program implementation. Accordingly, we look forward to continued partnering with the CPUC in fulfilling California's energy policy mandates while exercising our respective jurisdictional authority and responsibilities.

LGSEC urges the CPUC to intensify its efforts in partnership with local governments to develop policy, consider investments, weigh cost-effectiveness and determine just and reasonable rates. The ability for local, sustainable community energy initiatives to both support and utilize the IOUs' distribution systems will be instrumental in addressing the safety and reliability challenges throughout the state. These initiatives fulfill the broad menu of energy objectives inventoried in the Draft Green Book. Existing CPUC proceedings will need to add the broader range of stakeholders with particular attention to closer engagement with local governments than has routinely occurred in the past. Despite a tone of alarm in the Draft Green Book, it well describes the CPUC's leadership in facilitating fair access to the distribution grid, updating distribution planning creating new distribution system mapping and modernizing the distribution grid. These are foundational elements to the successful energy market transformation now taking place. The recent Distributed Resources Plans Decision setting guidance for Grid Modernization, current Integrated Distributed Energy Resources, Resource Adequacy Phase 2 and the Integrated Resource Planning proceeding are doing the hard work of transforming the energy industry from one that was predominantly top down and centralized to one that is more diversified, community-based and consumer responsive.

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<sup>1</sup> The LGSEC is a statewide membership organization of 40 cities, counties, associations and councils of government, special districts, and non-profit organizations that support government entities. These comments were approved by LGSEC's Board. Individual members may have different views on elements of these comments. A list of our members can be found at [www.lgsec.org](http://www.lgsec.org).

<sup>2</sup>California Customer Choice, An Evaluation of Regulatory Framework Options for an Evolving Electricity Market, Draft Green Book, May 2018.

The centerpiece to achieving a reliable, affordable and decarbonized “grid” is the short discussion on Grid Investment and Reliability. “Fair and equitable compensation to the IOUs for competitive neutrality on the grid to accommodate the growth of CCAs, distributed energy resources, self-generation and more customer-controlled purchasing is the central challenge in the regulatory adaptation necessary to accommodate that growth... Indeed, with the recent wildfires in the state, the utilities are working to “harden the grid” to provide a safer system and are expending greater capital in a climate of financial instability. The questions of what is required, how much it costs and who is responsible to pay the IOUs for grid operation are currently before the Commission.”<sup>3</sup>

Current CPUC proceedings are addressing the distribution grid planning (Distribution Resources Plans proceeding<sup>4</sup>), the interface between distribution and transmission reliability needs (Resource Adequacy and Integrated Resource Plan proceedings), IOU revenue requirements and cost allocation (individual IOU General Rate Cases (GRCs)). These forums are already incorporating the technical, economic and policy inquiries associated with different load serving and high distributed energy resource penetration scenarios. The Commission has already determined that the IOUs GRCs are the appropriate place to examine the costs and benefits associated with transmission and distribution grid modernization utilizing in the recent guidance adopted in Decision 18-03-023. These proceedings provide the appropriate context for examining the changes in roles for the IOUs as they become operators of the new, modernized distribution grid.

The CPUC’s May 21, 2018 Request for Informal Comments requested specific input correcting misstatements. LGSEC’s briefly addresses one area of concern at this time.

The Draft Green Book presents several statements to the effect that “customer choice” particularly the proliferation of Community Choice Aggregation (CCAs), is creating a financial and, potentially, a reliability crisis. In its discussion, the Draft Green Book inappropriately conflates CCAs, Direct Access and customer-initiated energy procurement. This distortion is compounded by the description of the current decentralization of energy procurement as “deregulation.”

It is important to remember that it is current California energy policy to create and utilize CCAs to meet the state’s ambitious energy goals. CCAs were created by the legislature to **remedy** the Energy Crisis with greater accountability, transparency and consumer protection through public energy procurement by local governments. AB117 brought CCAs into existence as an important strategy to prevent the ills and abuses observed in California following energy industry restructuring in the mid-1990s. In other words, CCAs are a key solution to the Energy Crisis. CCAs did not cause the Energy Crisis and are not causing one now.

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<sup>3</sup> Draft Green Book, pp. 19-20.

<sup>4</sup> Rulemaking 14-08-012 and related matters.

Most of LGSEC's member cities and counties throughout California have formed CCAs, are in the process of doing so or are in preliminary exploration stages. CCAs result from acts of sovereignty by local government elected officials, who have ties to both their local constituents and their state representatives that also represent those constituents. Yet a simple word search of the Draft Green Book finds "local governments" mentioned only once. This omission is profoundly troubling and significant for two main reasons.

First, principles of comity, that is, respect of one sovereign by another within its territory, should dictate greater recognition by the CPUC that CCAs are local government enterprises, distinct from competitive, for-profit commercial enterprise. This is not just a question of protocol. Failure to address this fundamental difference creates a false equivalency between CCAs, Energy Service Providers (ESPs) and individual consumer resource development while ignoring the important distinctions, risks and strengths of each. Direct Access service by ESPs has been provided by predominantly for-profit, corporate entities often with no ties to any particular community or jurisdiction, with minimal consumer protection oversight by the Commission. It is the CAISO that imposes creditworthiness requirements on ESPs as a prerequisite for scheduling and settling transactions under the CAISO Tariff rules. "Customer Choice" in the 1990's meant retail competition through Direct Access. Individual, customer-initiated resource development for the most part, has entirely distinct characteristics and consequently, different economic risks, costs, reliability and environmental impacts as well. This is in stark contrast to the distinctly and inherently community-based, public, and therefore largely transparent nature of CCAs. Simply borrowing the phrase "customer choice" from an earlier era obscures, rather than illuminates, the complexity of the current revolution at the distribution level.

Second, the failure to explore the local government component inherent in many local energy initiatives and CCAs in particular, in the Draft Green Book's discussion of the current energy landscape further compounds this false impression with an additional label: "unregulated." "Decentralization" is not the same as "deregulation." CCAs are both part of local government and are subject to separate local government oversight by authorities with police powers that are charged with responsibility to the protect health and safety of constituent citizens and the public. This creates more oversight, regulation, transparency and accountability, not less. CCAs are subject to multiple layers of regulatory oversight with concurrent jurisdiction residing in a number of bodies, and in some respects, with redundant oversight of key aspects of service delivery, Resource Adequacy being a prime example. Cities and counties have concurrent regulatory jurisdiction with the CPUC and the California Independent System Operator Corporation (CAISO) over integrated resource planning, Resource Adequacy, and other reliability requirements.

The reference to deregulation in the Draft Green Book is an overstatement. It is correct that the CPUC has no jurisdiction over CCA rates and operations. That does not mean that CCAs are "unregulated." On the contrary, CCAs are created by and accountable to elected officials and

local constituencies, regulated by their Local Regulatory Authorities (LRAs). CCAs are also subject to oversight by the Federal Energy Regulatory Commission (FERC) with respect to their transactions in wholesale energy markets. As Load Serving Entities (LSEs) that conduct wholesale market transactions over the CAISO-controlled transmission grid, CCAs are subject to the terms and conditions of the CAISO Tariff, including Resource Adequacy requirements. Consequently, CCAs pay for and are subject to the same backstop procurement mechanisms that apply to all LSEs in the wholesale markets. Just because the CPUC has jurisdiction over retail transactions, does not mean that wholesale market activity is unregulated. The dearth of discussion of the wholesale market and its role in the 1990's Energy Crisis is telling in this respect.

The Commission has recognized this shared regulatory authority with respect to CCA formation and implementation in the past<sup>5</sup> and in current proceedings underway. The Draft Green Book makes no mention of these distinct characteristics of CCAs but rather lumps CCAs, ESPs and individual customer resource development (rooftop solar, energy efficiency) together as if they were different manifestations of the same energy market activity.<sup>6</sup> In reality, CCAs and other local government energy initiatives are both inter-relational in regulation and interdependent. Regulatory jurisdiction is shared, concurrent and to a lesser extent, exclusive in some respects. This new landscape requires greater cooperation and mutual understanding beyond previous practice. LGSEC and its individual members are committed to participating in the emerging decentralized, integrated and interdependent energy environment to reach our shared mandates and goals.

Respectfully submitted,



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<sup>5</sup> See, for example, D.05-12-041.

<sup>6</sup> See for example, Draft Green Book, *California Needs a Clear Long-Term Vision for its Regulatory Framework*, pp. 4-5.